



DIRECT CONSOLIDATION LOAN REPAYMENT INCENTIVE PROGRAM

Lower Interest Rates

Direct Consolidation Loans Receive a 0.8% Rate Reduction

As an incentive to encourage timely student loan repayments, all borrowers who consolidate eligible student loans into the Federal Direct Consolidation Loan Program between October 1, 2000, and September 30, 2001, will receive an *immediate* interest rate reduction of 0.8 percent. However, to keep this benefit beyond the initial 12-month period, a borrower must make the first 12 monthly payments on time. The 0.8 percent rate reduction will become permanent once these first 12 payments are made on time.

For example, if your Direct Consolidation Loan interest rate is 8.25 percent, your interest rate drops to 7.45 percent. If you make your first 12 payments on time, you keep that interest rate and could save more than \$400 for every \$10,000 borrowed over a standard 10-year term.

How Will the Lower Rate Affect Your Loan *Before* You Fulfill the 12 Payment Requirement?

You will not see a reduction in the amount of your monthly payment until after you fulfill the 12 payment requirement. Until then, the savings that result from the 0.8 percent interest rate reduction will be applied toward reducing the *principal* balance of your Direct Consolidation Loan.

How Will the Lower Rate Affect Your Loan *After* You Fulfill the 12 Payment Requirement?

After you successfully fulfill the 12 payment requirement, the 0.8 percent rate reduction will be applied *permanently* toward your interest rate. At this point, the savings that result from the lower interest rate will be applied toward reducing your *monthly* payment.

Please Contact Us for Additional Information

Web site: See our list of Questions and Answers related to the Repayment Incentive Program at <http://www.loanconsolidation.ed.gov>.

Phone: Talk with a loan representative between 8 a.m. and 8 p.m. EST, Monday through Friday, at 1-800-557-7392 (TDD 1-800-557-7395).